

September 15, 2006

1120 Stakeholders

We are pleased to announce that we are posting the second draft of the Tax Year (TY) 2006 XML schemas (version 2006v1.1) that we refer to as Release 4.0 on our website. These schemas focus on the new tax year form and tax law changes that have occurred. Publication 4162, Modernized e-File Test Package for Forms 1120/1120S For Tax Year 2006 was published on the website on August 31, 2006. We anticipate Assurance Testing (ATS) to begin October 30, 2006.

XML Schemas

The schemas we are presenting today are the second draft of Tax Year 2006 XML schemas for all 1120/1120S forms and schedules (new version 2006v1.1). The schemas are posted in the **ATS System** table on the current valid schema chart posted to irs.gov at <http://www.irs.gov/taxpros/providers/article/0,,id=97626,00.html>. Also included are two "Diff Files". "Diffs1120x_2006v1.1" file shows changes from the previous schema versions TY2006v1.0 to TY2006v1.1. "Diffs1120x_2006v1.1_2005v2.4" file shows changes from the previous tax year schema version TY2005v2.4 to current tax year schema version TY2006v1.1. The **Production System** table contains the current valid schemas for Forms 1120, 1120S and 7004 that are still being used to process TY 2003, TY2004 and TY2005 tax returns and TY 2005 timely-filed extensions.

Please note: The Instance Document contained in the schema files is viewable with any generic MIME-reader. Found within the 1120 folder, the Instance Document contains an example 1120 transmission.

Business Rules

Release 4.0 Business Rules for TY 2006 (new version 2006v1.1) are posted in two different formats that contain identical information – Adobe (.pdf) and a comma-separated file (.csv). A column within the file identifies changes made from the last posted version to help clarify what changes were made. The new business rules are posted in the **ATS System** table on the current valid schema chart posted to irs.gov at <http://www.irs.gov/taxpros/providers/article/0,,id=97626,00.html>. As with the XML schemas, current valid Business Rules for TY 2003, TY 2004 and TY2005 are shown in the **Production System** table.

Key Changes

There are ongoing discussions and pending legislation regarding obsoleting the following forms beginning with TY2006 but until a final determination is made we have left these forms in the schemas for this publishing.

- Form 5712-A
- Form 5735
- Schedule P (Form 5735)
- Form 6765
- Form 8830
- Form 8845
- Form 8895

Note: Form 8913 and Form 8616-A will be included in the next publishing, tentatively set for October 17, 2006. Form 1128 will still be submitted as a PDF. Also note the October publishing will contain many updates to forms including the Schedules M-3s.

Beginning January 2007, Modernized e-File will only accept 1120/1120S tax returns for Tax Years 2004, 2005 and 2006.

As a reminder, please see the Large and Mid-Size Corporation (LMSB) website for special instructions and interim procedures for taxpayers required to efile at <http://www.irs.gov/businesses/corporations/article/0,,id=147101,00.html>.

As always if you have any questions or comments, please contact us through the Topica group or the ETA 1120 Team at 1120@irs.gov. You can also contact Xan Ostro at (202) 283-7697 or Joan Barr from the ETA team at (415) 382-9039. For questions on 7004, you can contact Linda Lateef from the ETA team at (202) 283-0014.